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25 September 1950

MEMORANDUM TO THE FILES:

SUBJECT : Taxable Nature of Dependency Allowances

1. A question has been presented to this office in regard to the tax status of allowances for dependents. In a recent unpublished decision from Internal Revenue to a non-Government employer, the Deputy Commissioner indicated that he would consider certain payments to an employee as taxable income. The payments were made on the basis of a contract between the private employer and the employee which provided for payment of utilities, quarters, lodging, and medical expenses.

2. The situation does not concern a direct employee of the Government or a member of the Foreign Service. For such cases, see the provisions of Internal Revenue Code 116 ~~As~~ 130, 1950 Master Tax Guide, CCH).



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